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Supply Chain Blues (Second of a Series)

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Over the past 18 months it's been fascinating to watch the divergent, often contradictory economic narratives in headlines and data.

While the Delta variant created a surge of infections that in some states rivaled the original virus, capital markets continued their barnstorming ways. Even including its recent pullback, the Dow is up 5% since Delta took hold in early summer.

July's US labor report was another case in point. The Bureau of Labor Statistics reported a record high 10.9 million job openings. The three largest sectors comprising this increase were healthcare and social assistance, finance and insurance, and accommodation and food services.

Yet there are also fewer than 9 million people unemployed. How can there be such a shortage of workers with far more jobs than jobless?

Incentives is one reason. Until this month unemployment benefits were a more attractive option than low paying positions with uncertain job stability.

The Society for Human Resource Management (SHRM) also cited "continuing health concerns around the COVID-19 virus and the lack of affordable child care" as reasons for postponing entry in the workforce.

Labor shortages typically push wages higher. As our *Chart of the Week* highlights hourly earnings are on the upswing after peaking in the depths of the pandemic. It's also resulting in more creative ways employers are using to attract and retain talent.

CNBC quoted a Gallagher survey showing 41% of businesses offering better employee benefits. Beside medical and drug, as well as discounted legal services and identity theft protection, 19% of employers are offering pet insurance. We're checking if this covers cat-scratched sofas.

It's a challenge to separate the causes of supply chain issues. Are the new golf clubs you ordered taking six months because of unusually high demand, or are the components stuck on one of 40 container ships waiting in LA/Long Beach harbors to be offloaded? It costs four times more today to ship a container than it did only a year ago.

Certain sectors are experiencing greater worker bottlenecks than others. One economist cited leisure and entertainment, which includes restaurants. What lower wage worker wants to risk their health for a job that could end at any time?

Next week we look at the impact of supply chain issues on private capital.